

Message Text

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INFO AMEMBASSY PRETORIA
AMCONSUL CAPE TOWN
AMCONSUL DURBAN

UNCLAS JOHANNESBURG 0826

E.O. 11652: N/A
TAGS: EFIN, EINV, BEXP, SF
SUBJECT: COMMERCIAL PROGRAM: OPERATIONS OF SECURITIES RAND MARKET

REF: STATE 073723

CAPE TOWN ALSO FOR EMBASSY

1. HIGHLIGHTS OF OPERATIONS OF SECURITIES RAND MARKET
WHICH MAY BE RELAYED TO INVESTOR RESPONSIBILITY RESEARCH
ENTER FOLLOW: A) SECURITIES RAND CAN ONLY BE OWNED
BY NON-RESIDENTS OF THE REPUBLIC OF SOUTH AFRICA (RSA);
B) SECURITIES RAND MARKET CONSISTS OF THE POOL OF
NON-RESIDENT INVESTMENT IN THE RSA PLUS THE PROCEEDS WHEN
A NON-RESIDENT DISINVESTS; C) TYPICALLY OVERSEAS INVESTORS
MAY BUY SHARES ON AN EXCHANGE IN AN OVERSEAS MARKET WHICH
ARE ALSO QUOTED ON AN EXCHANGE IN THE RSA (AS FOR EXAMPLE,
DE BEERS) AND INSTEAD OF CASH, NON-RESIDENT TRANSFERS
SHARE CERTIFICATE TO RSA THUS GENERATING SECURITIES RAND;
SUCH SHARE CERTIFICATES ARE ENDORSED NON-RESIDENT
AND ARE SUBJECT TO A DEGREE OF CONTROL ON RE-INVESTMENT;
D) ONCE IN THE RSA, THESE SHARES MAY BE SWITCHED THROUGH
NORMAL MARKET TRANSACTIONS IN A STOCK EXCHANGE FOR ANY
OTHER SHARE, HOWEVER, NON-RESIDENT MONEY IDENTITY
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IS RETAINED; E) AS REGARDS DEGREE OF CONTROL, FUNDS
MAY NOT BE TRANSFERRED OUT OF RSA Y MEANS OF AN
IMMEDIATE CASH TRANSFER; HOWEVER, SHARES (AS ABOVE)
MAY BE EXCHANGED ON BASIS OF NORMAL MARKET TRANSACTIONS
FOR ANY SHARE QUOTED ON RSA EXCHANGE AND THE SHARE
CERTIFICATE MAY BE TAKEN OUT; F) AN ADDITIONAL
RE-INVESTMENT OF SECURITIES RAND FUNDS (OR NON-RESIDENT

MONEY) TO SUPPLEMENT (E) IS IN SAG BONDS OR IN MUNICIPAL BONDS OR IN SAG PARASTATALS, I.E., ESCOM, ISCOR, ETC, WITH AT LEAST FIVE YEARS TO MATURITY (THE OPERATIVE WORD BEING MATURITY) SINCE ON MATURITY FUNDS ARE EXPORTABLE BY MEANS OF A CASH TRANSFER. SUCH BONDS MUST HAVE UNINTERRUPTED HOLDING (OWNERSHIP) BY NON-RESIDENT FOR AT LEAST FIVE YEARS UP TO MATURITY; G) A FURTHER DIMENSION OF THIS IS THAT NON-RESIDENTS MAY INVEST PROCEEDS FROM RAND SECURITIES IN SPECIAL ISSUE SAG BLOCKED RAND BONDS ISSUED BY TENDER AT 85 PERCENT REPAYABLE IN FIVE YEARS AT 100 PERCENT WITH FUNDS, AT MATURITY, REMITTABLE IN WHATEVER CURRENCY REQUIRED BY THE REMITTER. THESE BONDS IN THE INTERIM ARE NEGOTIABLE AND TRANSFERABLE. THESE BONDS CAN BE USED TO RAISE FUNDS ABROAD; HOWEVER, NOT VERY PRODUCTIVE BECAUSE OF LOW INTEREST (THREE PERCENT PER YEAR OVER FIVE YEARS) AND EXPERIENCE HAS BEEN THAT BUYERS CANNOT FIND BANKS ABROAD TO LEND AGAINST THESE BECAUSE OF LOW YIELD.

2. TO SUPPLEMENT FOREGOING, WE SENDING UNDER SEPARATE COVER THREE PAPERS ON A) SECURITIES RAND; B) AVENUES OF INVESTMENT FOR SECURITIES RAND; AND C) ON ASPECTS OF SOUTH AFRICAN EXCHANGE CONTROL ON CONCESSIONS TO IMMIGRANTS BRINGING FUNDS INTO THE RSA ALL OF WHICH HAVE BEEN PROVIDED BY THE STANDARD BANK OF SOUTH AFRICA. THESE MAY BE RELAYED TO INVESTORS RESPONSIBILITY RESEARCH CENTER AT THE DISCRETION OF THE DEPARTMENT.KIRBY
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